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Committee on International Relations
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Introduction.

Madame Chairwoman, distinguished Members of the Committee, thank you for the opportunity to testify on U.S. foreign assistance to the five Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan.

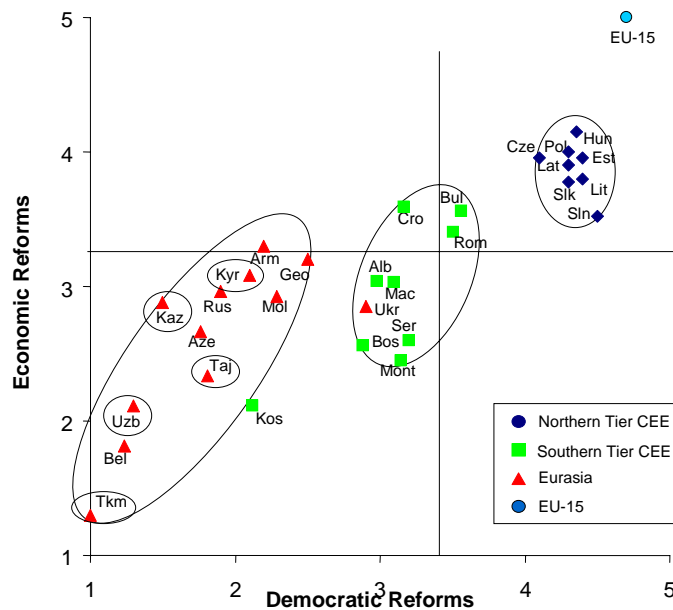
Since the overthrow of communist regimes in Europe and dissolution of the Soviet Union, the U.S. Agency for International Development (USAID) has been charged with assisting the countries of Europe and Eurasia to make the transition from centralized, authoritarian control to sovereign nations governed on the basis of democratic, free-market principles. When this Committee crafted the FREEDOM Support Act (FSA) and Support for East European Democracy (SEED) Act, it was with the goal of helping these countries develop the technical basis and managerial skills needed to redirect their resources toward open and participatory political and economic systems. USAID assistance has helped countries make tangible progress across Europe and Eurasia, including in the five republics of Central Asia.

The past fifteen years have yielded significant results and areas of opportunity in Central Asia. Our activities are contributing to the growth of small business, civil society development, reductions in the spread of infectious disease and advanced health reform, improved primary education, better management of natural resources, and efforts to lessen the potential for human rights abuses and conflict. Nevertheless, many challenges persist—in developing democracies and promoting respect for human rights, encouraging economic growth, improving health, and increasing the quality of education.

USAID's principal goal within the Europe and Eurasia (E&E) region remains the establishment of functioning, effective democracies with open, market-oriented economic systems and responsive social services. As the following chart demonstrates, we see a correlation between countries' performance in economic and democratic reform in the E&E region. Indeed, the very elements which enable a democracy to function, namely, participatory decision-making, transparency, rule of law, and good governance — are also conducive to a healthy business environment. It should come as no surprise that the highest performers in both of these areas are the Northern Tier states, several of which, namely, the Czech Republic, Slovakia, Hungary, and Poland, have graduated from USAID assistance to become members of the European Union and donor countries in their own right. On the other end of the spectrum are the low performers, comprised almost exclusively of the Eurasian states, of which the Central Asian Republics (and Belarus) occupy some of the lowest ranks. The data underscore the

enormous challenges we face in assisting these states to narrow that gap by embracing real democratic and economic reforms.

Figure 1 **Economic and Democratic Reforms in 2005**



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit* 2005 (2005), *Freedom in the World* 2006 (2005), and EBRD, *Transition Report 2005* (November 2005).

The Geopolitical and Strategic Context.

Since the September 11, 2001 attacks on the United States, the geopolitical and security importance of the post-Soviet states of Central Asia has increased markedly. Countering authoritarianism and economic stagnation, which provide the fuel for domestic unrest, religious extremism, and international terrorism, is critical to protecting U.S. interests in the region.

Despite the many differences among these countries, there are some unifying themes of strategic importance to the United States Government:

- **Central Asia's strategic location, between South Asia, China, Russia, and Iran, ensures that its importance will continue to grow in the years ahead.** What happens in Central Asia concerns not only Russia to the north, but also China, its eastern neighbor. Events in Afghanistan, India, Pakistan, Iran, and the broader Middle East are also impacted by developments in the region.
- **Central Asia is a critical source of energy.** Kazakhstan, Turkmenistan and Uzbekistan all boast substantial petroleum reserves. Turkmenistan is the second largest natural gas-producing country in the former Soviet Union. The country also ranks fourth worldwide - after Russia, the United States and Iran -- with proven natural gas reserves totaling nearly 100 trillion cubic feet (Tcf). Uzbekistan currently possesses about 600 million barrels of proven oil reserves. Uzbekistan is the eighth-largest producer of natural gas in the world, but most of this is used domestically. Kazakhstan has large oil and gas reserves. Its giant, offshore Caspian Kashgan field is one of the most important

petroleum finds in thirty years. The United States, as a significant energy importer, has a vital interest in ensuring that efficient export outlets are developed and that Central Asia emerges as an important source of energy in the years ahead, not just for the United States but for the world market.

Resource Levels and Country Priorities.

Despite a growing acknowledgement of Central Asia's strategic importance, USG assistance funding for the region has declined precipitously since a high point in 2002, when Congress authorized major supplemental funding for Central Asia in recognition of its proximity to Afghanistan and pivotal role in the Global War on Terrorism. Indeed, today's funding levels for USAID assistance to Central Asia (\$73.9 million in FY06) represent a significant decrease from pre-9/11 levels (\$93.8 million in FY01.)

Among the Central Asian Republics, Kazakhstan and Kyrgyzstan are the highest dollar recipients of USAID's assistance, with \$20.1 million and \$22.5 million respectively in FY06. **Kazakhstan** has made considerable progress on economic reform while making inconsistent progress in its commitment to democratic reform. Kazakhstan is strategically important to the United States due to its geographic location and significant resources, growing U.S. investment, and relative openness to trade.

Moreover, in **Kazakhstan**, we are entering a new phase of our development cooperation which involves the Government of Kazakhstan sharing in the cost of USAID managed economic development programs. The \$40 million joint (\$25M USAID; \$15M GOKZ) *Program for Economic Development* calls for even closer collaboration in the formulation, delivery, and monitoring of programs. Aside from the greater impact we hope to achieve with this new approach, we also hope it will strengthen sustainability prospects and help pave the way for Kazakhstan's own development assistance programs.

Kyrgyzstan, the smallest of the republics, has distinguished itself through early, consistent, and aggressive economic reform and a commitment to and demonstration of democratization. In March 2005, the people of Kyrgyzstan took to the streets to signal their dissatisfaction with the Government's manipulation of the electoral process; their efforts led to the popular ouster of autocratic President Askar Akayev. While the new Government has been slow to honor its election-year promises, particularly in the areas of anti-corruption, good governance, and constitutional reform, Kyrgyzstan remains the most open of the Central Asian Republics in both economic and political terms. It is important that the U.S. Government support Kyrgyzstan's reform trajectory. To that end, USAID is coordinating closely with the Department of State and the Millennium Challenge Corporation to ensure that our resources are strategically allocated, mutually supportive, and conducive to our shared goal: helping the Kyrgyz Republic to achieve its full democratic, social, and economic potential.

With roughly 64 percent of its population below the poverty line and the lowest GDP per capita in the region, **Tajikistan's** socioeconomic indicators rival those of sub-Saharan Africa. Although still an authoritarian state, Tajikistan's political system remains among the more pluralistic in the region. It is the only country in Central Asia with a legally-recognized Islamic

opposition party, one which also holds positions in government. USAID has budgeted \$15.6 million in assistance to Tajikistan in FY06 to support programming that promotes democratic, economic, and health reform and conflict mitigation.

Uzbekistan, the largest of the five in terms of population, is important to regional stability due to its central location (it borders each of the republics and Afghanistan) and historic leadership role in Central Asian culture and religious life. Despite early signs of economic progress, the Government of Uzbekistan has backpedaled considerably in its commitment to real economic reform. The central government, led by former Soviet leader Islam Karimov, remains authoritarian.

Relations between the United States and Uzbekistan have deteriorated significantly in the past year, partly as a result of the U.S. call for an independent inquiry into the Government's response to a militant uprising in Andijan in May 2005, which left hundreds of civilians dead, according to reports. While regional sensitivities to U.S. democracy programs were already heightened following Kyrgyzstan's Tulip Revolution in March 2005, the decline in our bilateral relationship post-Andijan has enabled the Ministry of Justice to step up its campaign to force termination of those programs which the host government considers most threatening. These include programs in human rights, civil society development, and support for independent media. Despite these setbacks, USAID will continue to reach out to the people of Uzbekistan, whose support for our work remains unwavering. Meanwhile, we have found ways to continue our programs in such areas as health, agriculture and natural resource management, with limited disruptions. The FY06 budget for Uzbekistan is \$13.1 million, which is aimed at consolidating economic and health reforms while promoting a more open society.

Turkmenistan continues to receive the lowest level of funding in the region, \$3.6 million, despite its strategic importance. This level reflects the regime's failure to institute a serious economic reform program and its totalitarian stand. Civil society groups face difficult registration rules and are closely monitored. Government cooperation to reform the health sector nevertheless remains strong and we will continue to push ahead to work with citizens that represent the future generation of leaders.

USAID Assistance to Central Asia.

USAID's operations in Central Asia are managed by a Regional Mission headquartered in Almaty, Kazakhstan, with satellite offices in the other four republics and in Kazakhstan's capital, Astana. This approach has proven successful in overseeing five bilateral programs, and interacting with five U.S. Embassies through the mobilization of a wide range of technical expertise that can be applied throughout the region, achieving cost and management efficiencies. It has provided the flexibility needed to respond quickly to events in the region while applying lessons learned in five different programs.

With our current assistance strategy set to expire in early September 2006, USAID is working in close coordination with the Department of State to prepare a new strategy for assistance to the region over the next several years. Unlike the current strategy, which covers all five republics in a single overarching document, the new strategies will be country-specific, reflecting the unique environments and challenges we face in each country. Next month, I will

travel to Central Asia to conduct oversight of USAID's programs in four of the five republics and participate in an Interagency Country Assistance Review (ICAR) in Uzbekistan. I would be pleased to offer my preliminary observations with the Committee upon my return and to share with you a copy of USAID's final strategy for Central Asia once it has been approved.

USAID's development strategy for assistance to Central Asia rests on three mutually supportive pillars: (1) promoting a democratic culture; (2) bolstering economic growth and reform; and (3) facilitating social transition through more effective and equitable approaches to health and education.

Democratic Reform: Accomplishments and Results.

USAID's approach to democracy assistance in Central Asia is based on promoting a strong democratic culture. With few indigenous democratic traditions, leadership in all five countries has historically tended towards autocratic and authoritarian methods of governance—with little understanding of citizen participation in political and governance matters. Overtly political civic organizations, political parties, and labor unions all continue to face strong resistance and even periodic repression from most Central Asian governments. Private television and radio stations still face significant degrees of state control and interference—except in Turkmenistan and Uzbekistan, where no such media exist.

Most notably, civil society, virtually unknown at independence, has grown and become more sophisticated throughout Central Asia. Literally thousands of diverse citizen organizations are now thriving, and in some countries, playing increasingly vocal roles in political debates. USAID assistance has also been important in developing the management and technical skills of independent electronic media and in introducing civic education in secondary schools.

Still, the past several years have seen significant backsliding or stagnation in Central Asia on key democracy indicators, such as the respect for a free press, judicial independence, and the conduct of free and fair elections. To meet this challenge, USAID focuses on strengthening civil society; bolstering independent media; protecting human rights; and promoting reform at the local levels. Where possible, we also work on political party development, enhancing the rule of law and elections. USAID's activities in Central Asia increase dialogue between government and citizens by assisting institutions that inform and empower people. Civic organizations and civic advocacy programs provide means to advocate for good governance, accountability, transparency, rights protection, and democratic reforms. USAID focuses on informing and engaging citizens through independent television and radio stations. Lawyers and young people learn about democratic values through reformed legal curricula at law schools, democracy camps, simulated court trials and civic education. Several programs diffuse tensions that could cause conflict through community involvement in local economic development and joint community-local government councils.

Despite some major setbacks, most notably, in Uzbekistan, USAID has achieved important results in its democracy programming in Central Asia. The following represents a sampling of our activities and achievements:

Civil Society Promotion:

- To strengthen local NGOs in each of the five republics, USAID's Civil Society Support Program provides training, information, networking opportunities, and professional

assistance through a network of civil society support centers. The program awards institutional grants to leading NGOs in specific sectors, and promotes advocacy at the national level. USAID also provides technical input for the development of a supportive legal network for NGO operations, as well as direct legal advice to NGOs.

Human Rights & Rule of Law:

- USAID's ongoing support to local human rights defenders (HRDs) in Kazakhstan, Kyrgyzstan, and until recently, Uzbekistan, provides a critical protection network, technical training and access to legal resources at a time when HRDs are being targeted for questioning, arbitrarily arrested, or detained. Based on this collaboration, HRDs monitor the human rights situation to highlight significant issues and trends. In Kyrgyzstan and Uzbekistan, HRDs have worked with local law enforcement to improve pre-trial detention conditions and address the most important local level human rights concerns.
- In Uzbekistan, USAID's *Open Dialogue* program provides the opportunity for dialogue between law enforcement agencies and human rights defenders and has fostered collaboration on deaths-in-custody cases and forensic investigations. In collaboration with the U.S. Department of Justice, roundtables on issues such as *habeas corpus* have been held around the country.
- In Uzbekistan, Turkmenistan, Kazakhstan and Kyrgyzstan, USAID has helped establish law clinics at local universities to provide *pro bono* legal advice and build practical skills of law students.
- In Kazakhstan, supporting the installation of video and audio court recording equipment in a pilot court to increase the transparency of court proceedings. The judiciary was so impressed with the results that they are planning to expand this system – with their own funds – to more than 100 additional courts.

Civic Education:

- USAID's civic education program, active in Kazakhstan, Kyrgyzstan, and Tajikistan, encourages critical thinking skills within a broader framework of principles of good governance, democracy, and civic activism. In addition to supporting textbook development and teacher training in interacting teaching methodologies, the program also provides secondary school students with hands-on experience with democracy through extracurricular activities like student government, local government day and democracy summer camps. More than 100,000 students are reached each year through this program.
- Complementing this work, USAID also supports Street Law programs in all five Central Asian countries, which provide additional training on civic rights and responsibilities. These courses are typically taught by law school students, giving them an opportunity to increase their public speaking and training skills.

Anti-Trafficking Programs:

- To help combat trafficking in persons, USAID organizes public awareness campaigns and information hotlines, supports local NGOs that provide services to trafficking victims, and in several countries, we operate shelters for such victims.

Support for Independent Media:

- USAID's media initiative, which is active in Kazakhstan, Tajikistan, Kyrgyzstan, and until recently, in Uzbekistan, provides training and assistance to improve the use of modern production technology and management techniques and update journalism quality in both print and broadcast media. In addition, a production fund encourages local programming, and legal advisors provide consultation to media outlets. Under a new initiative, USAID plans to support the broadcast of news and informational programming by satellite to expand access to information across the region.

Local Government Reform:

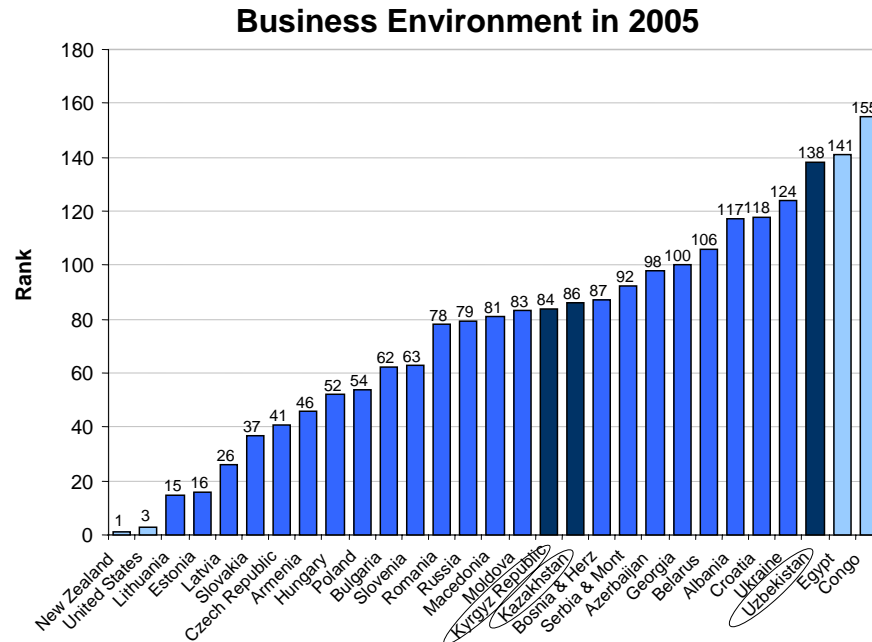
- USAID's work in local government reform in Kyrgyzstan and Tajikistan has resulted in an improved policy environment and strengthened the capacity of local authorities to organize public hearings, undertake strategic and financial planning, and manage public works and fee-for-service municipal enterprises. While Kyrgyzstan is the only country in Central Asia with democratically-elected mayors, Tajikistan has recently approved a strategy for decentralization which would include direct elections for mayors as well.

Elections Assistance:

- USAID has provided assistance for both parliamentary and presidential elections in Kazakhstan, Kyrgyzstan, and Tajikistan. In Kyrgyzstan, USAID sponsored both international and domestic election monitoring, efforts to provide checks on the official results, including exit polls and a parallel vote count, the training of poll workers, and the use of indelible ink to prevent multiple voting.

Economic Growth and Reform: Accomplishments and Results

USAID's assistance in economic reform encompasses work in enterprise development; financial sector reform; trade facilitation; microfinance and banking sector reform; commercial law and accounting reform; financial sector reform; and economics and business education. We focus on these areas because in each country improvements in the overall business environment will be important to long-term prospects for economic growth. As the chart below indicates, Kazakhstan and Kyrgyzstan rank relatively low in the World Bank analysis, and Uzbekistan is near the bottom of those countries surveyed. Tajikistan and Turkmenistan are not included in the Bank's survey but can also be assumed to be near the bottom.



World Bank, *Doing Business in 2006* (September 2005). Worldwide scores range from 1 to 155 and include 10 topics: starting a business, dealing with licenses, hiring and firing workers, registering a property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business.

Our results in each of these areas, especially in Kazakhstan and Kyrgyzstan, are impressive:

SME Development:

- Since 2002, USAID has provided firm-level assistance to improve the competitiveness of over 1900 private enterprises throughout Central Asia. Business managers receive coaching to improve strategic planning, basic financial and management accounting, human resource management, operations and quality management, and market analysis. Results of this assistance has led to measurable increases in sales and productivity gains, expanded market linkages and trade relationships within the region and with neighboring countries including Afghanistan, and increased understanding of fundamental market principles necessary for growth of a thriving and diversified small and medium business sector.

Financial Sector Reform:

- Financial sector reform in Kazakhstan is one of USAID's major successes in Central Asia. USAID has supported the introduction of corporate bonds, mortgage bonds, warehouse receipts, and other investment vehicles. The corporate bond market introduced in 2000 has grown to \$2 billion in bonds in circulation. Mortgage-backed securities, introduced in 2002, now comprise \$300 million in outstanding mortgage bonds. In partnership with the National Bank and the Association of Financiers, USAID helped Kazakhstan develop a Law on Credit Bureaus. Adopted in July 2004, the law establishes the legal basis for the first comprehensive credit reporting system in the CIS. With technical assistance from USAID, seven local commercial banks and an international credit bureau operator, Iceland-based Credit Info, recently established the first credit bureau in Kazakhstan. The credit bureau will serve to further strengthen

Kazakhstan's financial sector and expand access to finance for citizens and local entrepreneurs.

Trade Facilitation:

- USAID provides assistance to governments and businesses in Kazakhstan, Kyrgyzstan, Tajikistan (and until recently Uzbekistan) to modernize their legal and regulatory frameworks for trade administration. This includes help to develop and introduce new Customs Codes that modernize customs procedures in accordance with the Kyoto convention and WTO agreements and principles. USAID has also worked to strengthen the dialogue between Customs and the private sector by supporting the establishment of Consultative Councils, which are used to discuss issues of concern to traders, transporters and other stakeholders.

Microfinance and Banking Sector Reform:

- Over the past five years, USAID has provided considerable financial assistance to strengthen the banking and microfinance sectors in four of the Central Asia republics: Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. This assistance has spanned from improvement of financial regulation and bank supervision to bring it in line with international standards, including the establishment of clear legal frameworks for the provision of microfinance and institutional strengthening of commercial banks and microfinance institutions.
- USAID's work in microfinance has led to groundbreaking achievements, among them, the passage of legislation in several countries permitting a stable and consistent base for microfinance activities. Leading microfinance institutions in Kyrgyzstan, and the Kazakhstan Loan Fund were inspired by legislative reform and market prospects — and are now making plans to transform into microfinance banks. The sector has grown in the number and variety of market players. Commercial banks are now increasingly lending to micro and small businesses, which they previously considered too risky and costly. Microfinance institutions are recognized as full market players in the financial systems of these countries; and EBRD, an international financial institution, has even started lending to such institutions.

Reduction of Business Constraints:

- USAID provides assistance to governments and businesses in Kazakhstan, Kyrgyzstan, Tajikistan (and until recently Uzbekistan) to modernize their legal and regulatory frameworks for doing business and reduce the burden of government regulations on SMEs. This includes reforms in such key areas as business registration, licensing and permits, government inspections, land site acquisition and real estate construction and development. USAID has also built a large network of both government and private-sector partner organizations that actively tackle regulatory barriers to SME development at the local and national level in Kazakhstan. In the next four years, we are planning to roll out this partnership program to Kyrgyzstan and Tajikistan.

Commercial Law Reform:

- In Tajikistan and Kyrgyzstan, USAID trains local judges and attorneys in the interpretation and proper application of commercial laws to promote the establishment of secure property rights, enforcement of contracts, and drafting of basic commercial legislation necessary for the operation of a market economy. For example, in March 2006, the Ministry of Justice launched a new movable property registry in Tajikistan with substantial technical assistance from USAID's Commercial Law Project. Until now, lenders in Tajikistan have been unwilling to give credit against moveable property due to the lack of an efficient and reliable registration system. By increasing security of lending transactions, the registry will help small businesses obtain financing and reduce the interest rates on loans.

Accounting Reform:

- Through the implementation of its Certified International Professional Accountant (CIPA) program—the first, internationally recognized professional certification for accountants in the Russian language—USAID is helping to promote financial management, transparency, accountability, and professional values. The use of modern management accounting and uniform international standards will improve the competitiveness of the regions' enterprises, allowing them to compete both internationally and domestically. To date, over 54,000 exams have been issued and over 3,900 individuals have earned the entry level Certified Accounting Practitioner (CAP) or CIPA designation in Central Asia.

Business Education:

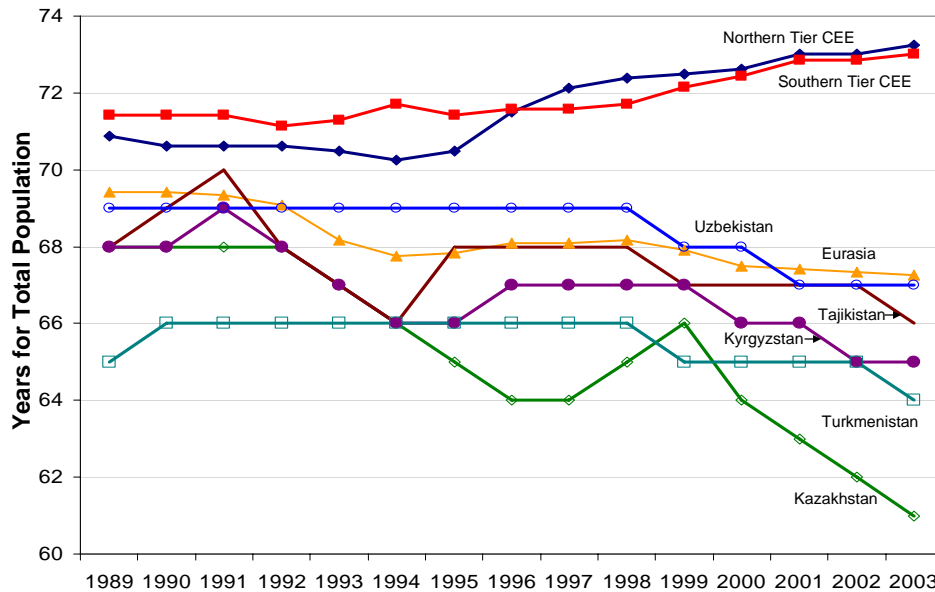
- Business and management education comprises a critical, albeit oft-overlooked, component of private sector development. Such assistance ensures that citizens receive education that is relevant to their participation in a market economy. USAID's Business and Economics Education Program seeks to develop stronger linkages between businesses and universities, enabling the latter to become more flexible and responsive to the market requirements for educated professionals, and to improve career opportunities for graduates in their host countries and throughout the region. USAID funded Junior Achievement Program promotes the development of entrepreneurship and practical business skills at middle grade and high-school level to increase youth participation in the economy.

Social Transition: Accomplishments and Results

Among the least expected consequences of post-communist transformation in Central Asia was a decline in living standards for many and a stark erosion in the stock of human capital. As an example, the following chart depicts the decline in life expectancy at birth in Central Asia as compared to the Northern and Southern Tiers of Central and Eastern Europe; this trend holds for all other indicators in the social sector:



Life Expectancy at Birth



UNICEF, TransMONEE (December 2005).

The evidence is impossible to ignore: rising morbidity and mortality due to infectious disease, weakened life expectancy, high unemployment, low wages, and the outward migration of individuals seeking better opportunities in Russia, where, as migrant workers, Central Asians are regularly subject to discrimination. To mitigate these concerns, our assistance in Central Asia is aimed at establishing viable social systems appropriate to market-oriented democracies. The first challenge is to halt serious health threats and reduce crises in education. We are meeting this challenge in Central Asia:

Primary Health Care Reform and Maternal and Child Health: At independence, the Central Asian countries inherited massive, inefficient health care systems that they are no longer able to support financially. In their current form, the region's public health, service delivery, health finance, and medical education systems are unable to address a range of problems leading to falling life expectancy in the region. Physicians have not been well-prepared to provide high quality, evidence-based services that effectively treat the most common and urgent conditions that their people face. Preventive care measures are poorly funded, and few people understand their own role in and responsibility for taking care of their own health. USAID is working to improve the quality of health care in Central Asia by changing the way that care is given. A priority is to increase the use of primary care, provided at the local level and on an outpatient basis. USAID's models of health reform are being continued and expanded by the Central Asian governments as they see the positive results of these interventions.

- USAID's assistance has increased access to quality primary health care throughout the Central Asian region, establishing facilities that have trained more than 10,000 clinicians in family medicine and general practice.
- Our provision of training and contraceptives throughout Central Asia has helped significantly to reduce abortion rates throughout the region. A comparison of the 1999

Kazakhstan Demographic Health Survey (KDHS) and the 1995 KDHS indicates a decline of 22 percent in the abortion rate.

- USAID has assisted the Governments of Kyrgyzstan, Kazakhstan and Uzbekistan in the design and implementation of National Health Reform Plans; a similar plan for Tajikistan is currently being developed with assistance from USAID-funded experts.
- USAID's efforts have led four countries in Central Asia officially to adopt, for national use, the World Health Organization (WHO)-recommended Live Birth Criteria, paving the way for reductions in infant morbidity and mortality. To date, as a result of pilot activities to introduce the new criteria, 221 infants have lived who otherwise would have been abandoned as dead.
- USAID has trained more than 12,000 clinicians in the Integrated Management of Childhood Illnesses, the WHO strategy to reduce death, illness, and disability, and to promote improved growth and development among children under five years of age.

HIV/AIDS, Tuberculosis and Malaria: Seventy to ninety percent of HIV infection in Central Asia is linked to injecting drug use, primarily heroin. The same percentage of the world's heroin comes from Afghanistan. While the USG has devoted considerable resources to poppy eradication in Afghanistan and border control support with Tajikistan, USAID's Drug Demand Reduction Program is one of the few regional efforts to reduce demand for heroin. USAID's efforts in this area are notable:

- Through our foreign assistance, USAID has helped establish eleven HIV sentinel surveillance sites in the region, thereby producing the first scientifically valid data on the course of the epidemic.
- With assistance from USAID, more than 76,000 Central Asian youths have been educated on the risks involved with drug use.
- We have used our assistance to leverage resources, such as assisting governments in the region to obtain \$74 million in additional funding through grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).
- USAID programs have assisted countries in the region to advance toward the World Health Organization (WHO) global goal of 85 percent treatment success for tuberculosis (TB). The current range of treatment success in Central Asia in USAID project sites is from 75.7 percent in Uzbekistan to 85.3 percent in Tajikistan.
- In Kazakhstan, where USAID has supported tuberculosis (TB) control efforts since 1998, TB deaths decreased 41.6 percent between 1998 and 2003, and the Centers for Disease Control and Prevention calculates that the USAID-supported TB control strategy has saved more than 18,000 lives during that time.
- USAID has supported malaria prevention and control efforts in the region since 2000, resulting in an 84 percent decrease in malaria cases in the region between 2000 and 2005, and effective responses to outbreaks in Kyrgyzstan in 2002 and 2005. Governments in the region have been assisted to receive \$11 million in grants to fight malaria from the GFATM.

USAID Efforts to Mitigate an Outbreak of Avian Influenza: In support of the President's International Partnership on Avian and Pandemic Influenza, USAID has entered into partnerships with host country governments and the donor community, and is helping to lay the

groundwork for an effective prevention and response strategy to outbreaks of avian influenza in Central Asia, including Kazakhstan, where H5N1 was confirmed as the causative agent in an outbreak in poultry last year and another outbreak in wild birds earlier this year:

- Together with international donors, in early June USAID will support a regional conference in Kazakhstan on *Avian Influenza Preparedness and Prevention* with representatives from all the Central Asian countries and their neighboring country governments. The key objectives of the meeting are to learn lessons from past experiences with outbreak control management and preparedness planning (including risk communication), and to review countries' responses and identify potential gaps for further assistance.
- With supplemental funding, USAID will provide technical assistance to all five Central Asian host country governments for surveillance, detection, laboratory testing, and animal and human outbreak management.

Basic Education: Education has a central role in the formation of human capital – an essential component of economic growth and societal development. More than a decade after the dissolution of the Soviet Union and the beginning of a transition to a market economy and democratic society, the Central Asian Republics face three broad challenges in the education sector: (1) maintaining previous educational achievements and slowing or reversing the process of deterioration that has taken place; (2) reforming educational systems so that they correspond to the market economy and democratic society; and (3) assuring access and equity to education for all groups, regardless of gender, ethnicity, and socio-economic standing. USAID's education assistance in the area of primary and secondary education is designed to prepare young people with flexible skills necessary to work in a market economy. In addition to promoting greater parental and community involvement, our programs support in-service teacher training, the introduction of a more efficient model for funding schools, and the rehabilitation of dilapidated schools.

While USAID began assistance in basic education only in 2003, much already has been accomplished:

- USAID-supported teacher training programs were officially recognized by the Governments in **Kyrgyzstan** and **Tajikistan** as meeting the teachers' mandatory professional development requirement. In **Kyrgyzstan**, the USAID core schools received the official legal status of teacher training provider, which allows them to offer paid services to other public and private entities.
- In **Tajikistan**, **Uzbekistan**, and **Kyrgyzstan**, at the request of the governments, USAID introduced a new per-capita budget formula to improve equity and increase efficiency in the area of school finance. The new model will give greater autonomy to schools in managing their budgets, while the capitation principle will reward quality improvement by giving a higher budget to schools with a growing number of students. In **Tajikistan**, the pilot has already expanded with technical assistance from USAID and additional donor support from World Bank and other donors. In **Kyrgyzstan**, the Government plans to use the USAID pilot as a model for future expansion of per capita financing.

- Community cost sharing in school renovation projects, mostly in the form of labor, has been surprisingly high even in the poorest areas of **Kyrgyzstan, Uzbekistan, and Tajikistan**, and in many cases, matched or even exceeded the value of USAID's grant.
- In **Turkmenistan**, where the education system is in a state of crisis, more than 300 teachers have been trained in critical thinking methodology, and over 30,000 children have benefited from teacher and administrator training.

Higher Education: While the focus of USAID's limited resources for education are at the primary level, the following constitute important examples of our commitment to higher education:

- One of USAID's legacies in Central Asia is the establishment of the American University of Central Asia (AUCA), the region's premier institution of higher learning, based in Bishkek, Kyrgyzstan. AUCA is a showcase of U.S. teaching methods, recently benefiting from an endowment of \$15 million funded by USAID and the Open Society Institute.
- As a means to reduce corruption in higher education, in 2002, USAID helped to create a National Scholarship Test for high school graduates in Kyrgyzstan. The examination now serves as a basis for admission to higher education as well as the sole criterion for the administration of over 5,700 state-sponsored scholarships.

The Way Ahead: Central-South Asia Regional Integration.

In addition to focusing on our bilateral programs, USAID's new strategy will pay special attention to opportunities for enhanced integration between Central and South Asia, in keeping with the goals articulated by Secretary Rice during her recent trip to the region and reiterated by my colleague, Assistant Secretary Boucher, in his testimony today. As the U.S. government aims to strengthen trade, transportation, communications, and energy links between Central and South Asia, USAID is taking a leadership role in the facilitation of cross-border trade and energy sector development.

Energy Sector Development: Perhaps the greatest potential benefits of intra- and inter-regional collaboration lie in the **energy sector**, where better coordination is needed to (1) develop a transparent, commercial Central Asian electricity market; (2) enable the short and medium term export of power to Afghanistan; (3) build a reliable transmission system in Afghanistan; and (4) develop export capacity, a dedicated transmission system and a regulatory, contractual and security framework for trade and investment.

Although energy is an important economic driver in Central Asia, the potential for electricity sector development is limited because of the lack of an effective regional electricity market and problems with energy sector transparency and governance. USAID/Central Asia will soon launch a \$3.3 million Regional Energy Market Assistance Program (REMAP), a two-year project to improve the management of energy and related water resources through development of a transparent, reliable and commercially oriented regional electricity market.

In the Afghan power strategy, high priority is placed on economically priced power imports from Central Asia. Without such imports, Afghanistan will not be able to meet the domestic power supply needs in the long term. USAID/Kabul is working with Agency counterparts in South Asia to develop electricity import agreements.

Trade Facilitation: To foster **greater regional trade** in Central Asia, Secretary Rice announced in October 2005, as part of a larger USG initiative, a \$400,000 USAID trade facilitation program. The purpose of this program is to benchmark existing national customs procedures against international standards and best practices and identify opportunities to reduce transaction costs for business by harmonizing, strengthening and streamlining customs functions. It will be a vital complement to similar work in Afghanistan. USAID/Central Asia is also in the process of designing next generation programs that aims to reduce the regulatory and administrative burden for SMEs, facilitate trade, and provide assistance to the Central Asian countries to accede to the WTO or to meet their post accession commitments.

Conclusion.

In conclusion, we are proud of what we have accomplished over the last fifteen years in supporting Central Asia's transition in the post-Soviet era. However, there is still a great deal yet to accomplish. Central Asia's historical legacy includes entrenched developmental problems. There is much more to do in creating legal and institutional frameworks for business and in developing democratic civil societies, effective economic choice, improved social services such as health and education, and personal freedom. Consequently, in Central Asia, significant technical assistance will continue to be devoted to helping countries establish the institutional, legal and policy underpinnings of market democracies.

As new priorities emerge in other parts of the world, we urge the distinguished members of the House International Relations Committee to provide continued support to our programs in Europe and Eurasia. The geopolitical, security, and trade and economic importance of the region remains of vital interest to the United States, and our very close working relationships with the Coordinator's Office in the Department of State allow us to program resources in a way that will be most responsive to these interests.

Thank you, Madame Chairwoman. Without the support that this Committee and Congress have given us over the years, the progress that we have made in the region would not have been possible. In closing, I want to assure you of our continued commitment to achieving the noble goals Congress set out in the SEED and FREEDOM Support Acts, both within Central Asia and the broader E&E region.